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THE INTERIM

The Monthly Report of Legislative Activity

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WATER POLICY COMMITTEE

Water Policy Committee to Meet...The next, and possibly final, Water Policy Committee meeting will begin at 8:30 a.m., Friday, November 6, 1992, in Room 108 of the State Capitol.

Will Take Final Action on Interim Studies...The Committee will take final action, including review of draft legislation where appropriate, on the following interim studies:

- Dam Safety
- Water Reservations
- Water User and Recreational User Fees
- Geothermal Resources

To Hear Report from Water Resources Center...The Water Resources Center, Montana State University, will present its plans to comply with the Committee's 1992 recommendations regarding Water Center restructuring.

Drought Advisory Committee to Present Final Report...The Drought Advisory Committee (DAC) will present a final report to the Committee covering DAC activities during the interim. The Committee will consider the report and discuss Committee response options.

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General Committee Issues to be Discussed...During a working lunch, the Committee will review its statutory obligations, discuss appropriate Committee goals and objectives, consider potential topics for analysis next interim, and review the Committee budget.

The Committee will also receive updates on the Water Leasing Program, upper Missouri River reservation process, State Water Plan Water Quantity/Quality Final Plan Section adoption process, Reserved Water Rights Compact Commission, tribal water rights issues, and will review the Committee's draft report to the 1993 Legislature.

For more information on these issues, please contact the EQC staff.

ENVIRONMENTAL QUALITY COUNCIL

EQC to Hold Two-Day Meeting...The next meeting of the Environmental Quality Council (EQC) is scheduled for Wednesday and Thursday, November 18 and 19, 1992, in Room 108 of the State Capitol.

Solid Waste Management Issues Update...The Council will continue to review implementation of its recommendations regarding differential fees for out-of-state waste and also review draft "housecleaning" legislation.

Energy Policy Study...The Council will review the Energy Efficiency Collaborative recommendations, discuss the final report, and review draft legislation.

Lakeshore Development Study...Draft legislation regarding noise and lakeshore development issues will be reviewed. The Council will continue its discussion of water quality monitoring.

Forestry Issues...Department of State Lands personnel will update the Council on the Best Management Practice (BMP) audits, DSL MEPA implementation, and other forestry issues.

Other Issues...Other items on the agenda include a further discussion of the radon issue and the water quality nondegradation issue, updates on the EQC staff MEPA training program, the results of the state water planning process, the ground water characterization and assessment program, and a discussion of the Council budget and interim goals and objectives.

For more information regarding these issues or a copy of the agenda, please contact the EQC staff.

COMMITTEE ON WORKERS' COMPENSATION

Workers' Compensation Committee to Meet in November...The Committee on Workers' Compensation will meet on Friday, November 13, 1992, at 9:00 a.m. The Committee will examine proposals from Zurich American for handling the unfunded liability of the "Old Fund". Time will be set aside to allow the State Fund to respond to Zurich American's presentation. In addition, the Committee will consider legislation to put the State Fund back under the Insurance Commissioner.

In order to consider all of the items listed above, it may be necessary for the Committee to also meet on Saturday, November 14.

REVENUE OVERSIGHT COMMITTEE

Meeting Scheduled November 19 and 20...The Revenue Oversight Committee will hold a two-day meeting November 19 and 20 in Room 104 of the Capitol building. The meeting will begin at 9:30 a.m. on November 19. The agenda has not been set, but the primary purpose of the meeting is to adopt economic assumptions that will be used to establish the Committee's revenue estimates for the 1993 regular session. Representatives from the University system, state agencies, and industry will provide their insights on the economic assumptions that underlie the revenue estimates. The Committee's revenue estimates must be prepared for introduction by December 1.

Other Committee business will include a report from the Montana Department of Commerce, as directed by House Joint Resolution No. 2 of the January 1992 Special Session, on the various funds and fund balances of boards attached to the Department with proposals on how resources in these funds may be used to address the state's fiscal problems. The Committee will also review Department of Revenue legislative proposals.

LEGISLATIVE FINANCE COMMITTEE

Committee to Meet November 20...The Legislative Finance Committee will meet in Helena on November 20 to review budget amendments and complete its interim work. In the morning, it will hold a joint meeting with the Legislative Audit Committee to: 1) consider issues relating to the Board of Housing; and 2) hear the report of the Subcommittee on Information Processing Technology in State Government.

SUBCOMMITTEE ON INFORMATION PROCESSING TECHNOLOGY

Subcommittee Holds Final Meeting...The Subcommittee on Information Processing Technology in State Government (HJR 48) held its final meeting October 26. The Subcommittee heard reports on:

(1) Department of Administration (DofA) rules, policies, and procedures adopted to implement data processing statutory responsibilities;

(2) a DofA proposal to reorganize management of PPP (payroll, personnel, and position) and warrant writer systems;

(3) Legislative Branch Computer System Planning Council recommendations; and

(4) legislative electronic data processing audit findings.

The Subcommittee participated in a demonstration of METNET (Montana Education Telecommunications Network).

Subcommittee Adopts Final Recommendations...The Subcommittee adopted final recommendations that will be submitted for approval to the Legislative Finance Committee. A summary report of the HJR 48 study will be presented to the 53rd Legislature.

COMMITTEE ON POSTSECONDARY EDUCATION POLICY AND BUDGET

Committee to Meet in November...The Committee on Postsecondary Education Policy and Budget is scheduled to hold its next meeting in November, the exact date to be announced. Items scheduled to be discussed include enrollment caps in the Montana University System, proprietary schools, nursing education, and the use of telecommunications in higher education.

LEGISLATIVE COUNCIL

LEGAL DIVISION

Initiatives Received...Removal and Discipline of Judges

COMMITTEE ON INDIAN AFFAIRS

Committee to Meet by Telephone...The Committee on Indian Affairs will hold its final meeting by telephone conference call on Wednesday, November 4 at 11:30 a.m. in Room 108 of the Capitol. The Committee will review and approve a draft of its final report and a bill draft to facilitate state-tribal taxation agreements.

LEGISLATIVE AUDIT COMMITTEE

Audit Committee Meets in October...The Legislative Audit Committee met October 19, 1992, in Room 104 of the Capitol Building. The following reports were presented:

CONTRACTED AUDIT REPORTS

Montana State Lottery - Financial-Compliance (92C-2): The audit for the year ending June 30, 1992, was conducted by Douglas Wilson & Company, P.C. The report contained an unqualified opinion and contained one recommendation relating to the Montana State Lottery selling lottery tickets on a retail basis to the general public.

Montana State Lottery - Observations of Drawings & Events (92C-1): The audit for the year ending June 30, 1992, was conducted by Anderson, ZurMuehlen & Co., P.C. The report contained an unqualified opinion and no recommendations.

Coal Board Grants, Department of Commerce (91C-7): The audit for the year ending June 30, 1992, was conducted by Veltkamp, Stannebein & Bateson, P.C. under a contract between the firm and the Legislative Auditor's Office. The report contained an unqualified opinion and no recommendations to the subgrantees or the Coal Board.

Montana Board of Housing, Department of Commerce (92-5): The audit for the year ending June 30, 1992, was conducted by Anderson, ZurMuehlen and Co., P.C. under a contract between the firm and the Legislative Auditor's Office. The report contained an unqualified opinion and two recommendations relating to obtaining a legal opinion concerning the deposit of funds and maintaining copies of loan assumption agreements and mortgage notes in the loan file.

Montana Medical Legal Panel (92C-6): The audit for the year ending December 31, 1991, was conducted by Newland and Company under a contract between the firm and the Legislative Auditor's Office. The report contained an unqualified opinion and contained no recommendations.

Independent Actuarial Analysis of Optional Retirement Program for Employees of the Montana University System: This review was conducted by Buck Consultants under a contract between the firm and the Legislative Auditor's Office. The review included alternatives to the present financing arrangement with the Teachers' Retirement System on behalf of Montana University System employees participating in the Operational Retirement Program. The report contained proposed recommendations for modifying the financing arrangement.

FINANCIAL-COMPLIANCE AUDIT

Guaranteed Student Loan Program, Commissioner of Higher Education (92-25): A financial audit of the program's financial statements for the fiscal year ending June 30, 1992, was performed. The audit contained an unqualified opinion on the financial statements and made no recommendations.

PERFORMANCE AUDIT FOLLOW-UP

Department of Family Services - Child Protective Services: This report contained a follow-up on previous recommendations made in the following areas: case management, foster care and adoption, and program administration.

DISTRICTING AND APPORTIONMENT COMMISSION

Commission Adopts Final Regional Plan...The Districting and Apportionment Commission adopted the Southcentral Region plans on October 27, 1992, in a conference call. For Gallatin and Madison Counties, Plan 300 (unamended) was adopted. For Park, Sweet Grass, Stillwater, and Carbon Counties, Plan 100 (as amended) was adopted. The amendment uses the Yellowstone River as a boundary west of Big Timber in Sweet Grass County. For Yellowstone County and the completion of districts for Golden Valley, Wheatland, Musselshell, Treasure, Big Horn, and Rosebud Counties, Plan 100 (as amended) was adopted. The amendments include the Indian Cliffs Area, Billings Heights and Lockwood in the Billings area.

To Hold Hearing on Pairing of House Districts...A hearing on the pairing of house districts for new senate districts will be held November 19, 1992, at 2:00 p.m. in Helena at the Capitol, Room 437. After the November 3 election, all senators will receive information and a questionnaire regarding potential senate districts.

Final Public Hearing in November...The final public hearing on all 100 house districts and 50 senate districts will be held November 30 at 10:00 a.m. in Helena at the Capitol. Any person wishing to be placed on the agenda should contact Susan Fox at the Legislative Council.

STATE EMPLOYEE COMPENSATION

During the 1990-91 interim, the Committee on State Employee Compensation thoroughly examined compensation for Montana state employees. The study concluded that average base salaries paid to Montana state employees lagged the market by 13% to 18%, that the comparatively low wages partially accounted for expensive turnover, and that the then-existing "step plan" should be replaced with an "open range, market based plan". In response to the study and other factors, the 52nd Legislature adopted House Bill No. 509, which implemented the Committee's recommendation to move towards a market based approach to compensating state employees.

To keep pace with the labor market, the market plan requires the Department of Administration to conduct a biennial salary survey of Montana's labor market. The survey includes state governments in North and South Dakota, Wyoming, Idaho, and Washington, and private and

public sector employers in Montana. For this biennium, the Department has completed the survey and is analyzing the data.

Preliminary analysis indicates that, on average, the market has continued to increase by about 3 percent per year. However, over the two years following the implementation of HB 509, average Montana state employee salaries narrowed the "actual-to-market" gap to about a 10% lag, down from 13% in the 1989-1990 period. Preliminary analysis also shows that average compensation for state employees at the lower grade levels exceeds average compensation for the market and, conversely, that average compensation at the middle and higher grade levels lags average compensation for the market. Those "market leading and market lagging" trends continue the findings of two years ago.

So what does the conversion to the market based plan and the movement in wages in the market suggest? Briefly, that in order for Montana to hold its relative position re wages -- more or less 10% behind the market -- the 53rd Legislature would have to increase the statutory "entry salary" and "market salary" for that part of the pay plan that is below market, generally for Grades 11 and above. In order to close the gap between Montana state employee compensation and market compensation, the salary paid to employees would have to be increased by more than 3% in fiscal years 1994 and 1995. Conversely, if salary is increased by less than 3%, Montana state employee compensation will fall even farther (more than an average 10%) behind the market.

While adjusting the statutory salary lines by about 3% annually would maintain the relative position of the state's market based plan, statutory adjustments to the salary lines do not equate to a pay increase for state employees, generally. Pay adjustments for state employees is a separate issue and is usually considered within different parameters, e.g., the state of the state's finances. However, for informational purposes, the approximate cost of an annual 3% average increase in state employee wages is $36 million, of which about $23 million would be general fund revenue. (That amount does not include any increase in benefits, such as health insurance premiums which have experienced inflation of about 15% to 18% annually in recent years.)

As of publication of this issue of The Interim, the administration has not proposed a pay plan for state employees for the upcoming fiscal biennium. Staff within the Department of Administration indicate that a pay plan recommendation will be made about mid-November and will be included within the Governor's Executive Budget recommendation, statutorily required to be published by December 1.

The following table illustrates preliminary findings from the information compiled during the Department of Administration's latest salary survey. The information presented below shows:

- In column "-A-": the percentage reflects the average actual monthly pay of all non-university system state employees divided by the statutory "market rate" for positions classified within the respective grade.

- In column "-B-": the percentage reflects the average actual monthly pay of all non-university system state employees divided by the "market rate" reported in the survey for positions classified within the respective grade.

- In column "-C-": the percentage reflects the statutory monthly "market salary" for Montana state employees in positions classified within the respective grade divided by the market rate reported in the survey.

1992 STATE EMPLOYEE COMPENSATION STATISTICS			
	COLUMN A	COLUMN B	COLUMN C
GRADE	ACTUAL PAY/ STATUTORY MARKET	ACTUAL PAY/ SURVEY MARKET	STATUTORY MARKET/ SURVEY MARKET
4	103.5%	108.2%	104.5%
5	94.5%	97.5%	103.2%
6	96.6%	101.7%	105.3%
7	96.7%	101.4%	104.8%
8	95.5%	100.9%	105.6%
9	94.5%	101.5%	107.4%
10	94.6%	95.2%	100.6%
11	94.0%	89.4%	95.1%
12	92.6%	91.5%	98.7%
13	91.5%	89.4%	97.7%
14	92.3%	89.9%	97.4%
15	92.5%	85.2%	92.1%
16	93.0%	88.6%	95.3%
17	95.0%	92.4%	97.2%
18	93.6%	87.8%	93.8%
19	91.0%	82.9%	91.1%
20	92.2%	86.4%	93.7%
21	87.6%	81.3%	92.8%
22	89.4%	88.6%	99.1%

COMMITTEE ON THE MONTANA STATE HOSPITAL

Committee Completes Work...The Committee on the Montana State Hospital completed its business on September 29, 1992, giving final approval to 18 recommendations affecting the Montana State Hospital at Warm Springs and Galen, the mental health system in general, and the chemical dependency system.

Although the September 29 meeting was dedicated to exploring the mental health system for children and adolescents, the Committee will make no recommendation regarding the use of the Montana State Hospital for the care and treatment of youth.

Committee Reviews Infrastructure Study...Also at the September 29 meeting, the Committee reviewed the final conclusions of the infrastructure study of the Montana State Hospital Campuses conducted by a Missoula architectural firm. The study found that nine buildings on the Warm Springs campus should be demolished; four of the buildings are currently occupied. The firm estimated that the cost of bringing the buildings up to the minimum acceptable standard would cost $20 million dollars and recommended that a new state hospital should be built for about the same cost.

To Recommend Closure of Nursing Home and Acute Hospital...Among the Committee's most significant recommendations to the 53rd Legislature is a 9 to 5 recommendation to close the intermediate care nursing home at Galen and a 9 to 4 recommendation to close the acute hospital at Galen. The vote to close the acute hospital followed a report by two independent physicians who reviewed the acute hospital at the Committee's request and found that an infirmary could provide the same level of care. The Committee will also recommend that the legislature appropriate money for the development of a 10-year master plan to renovate or rebuild the Montana State Hospital.

Final Report...The Committee's final report will be available in December or January.

SUBCOMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Subcommittee to Publish Legislator's Guide...The Subcommittee on Public Employee Retirement Systems is publishing a Legislator's guide to Montana's Public Retirement Systems. This guide will provide legislators with information about each of the retirement systems and will offer guidelines for adopting fair, consistent, and sound retirement policy.

To Recommend Permanent Retirement Committee...The Subcommittee is recommending that a permanent retirement committee be established to review retirement legislation prior to each legislative session. Also, the Subcommittee will ask the House and Senate to adopt rules providing that all retirement bills be initially referred to a single designated standing committee.

INTERIM CALENDAR

November 3, General Election day, holiday

November 4, Committee on Indian Affairs (telephone conference call), Room 108, 11:30 a.m.

November 6, Water Policy Committee, Room 108, 8:30 a.m.

November 11, Veterans Day, holiday

November 13, Committee on Workers' Compensation, Room 104, 9:00 a.m.

November 18 and 19, Environmental Quality Council, Room 108

November 19, Districting and Apportionment Commission, Room 437, 2:00 p.m.

November 19 and 20, Revenue Oversight Committee, Room 104, 9:30 a.m.

November 20, Legislative Finance Committee, Room 108, 9:00 a.m.

November 26, Thanksgiving Day, holiday

November 30, Districting and Apportionment Commission, Public Hearing, Helena, 10:00 a.m.

December 25, Christmas Day, holiday

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January 1, New Year's Day, holiday

January 4, 53rd Legislature convenes

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